

Message Text

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ACTION STR-04

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STR ACTION -ATTENTION ALAN WOLFF

PASS TREASURY FOR SUCHMAN

E.O. 11652: N/A
TAGS: ETRD, MTN
SUBJECT: COMMISSION ON EXPANSION OF INTERNATIONAL TRADE

1. SUMMARY. COMMISSION ON EXPANSION OF INTERNATIONAL TRADE OF INTERNATIONAL CHAMBER OF COMMERCE DISCUSSED PENDING US COUNTERVAILING DUTY COURT CASES MARCH 21, ALERTED ITS MEMBERSHIP TO POTENTIALLY SIEIOUS IMPACT ON WORLD TRADE, AND GAVE GENERAL APPROVAL TO A PROPOSED RESOLUTION DESIGNED TO "BUY TIME". US STEEL REP OUTLINED ITS COMPLAINT BUT EC COMMISSION AND EUROPEAN BUSINESS REPS WEREN'T VERY SYMPATHETIC. END SUMMARY

2. ICC COMMISSION ON INTERNATIONAL TRADE MET IN PARIS MARCH 21 UNDER CHAIRMANSHIP OF IAN MACGREGOR (CHAIRMAN, US COUNCIL OF ICC AND CHIEF EXECUTIVE OFFICER OF AMAX, INC.). FULL DAY SESSION FUCUSSED MAINLY ON MTN AND PENDING U.S. CVD (ZENITH AND US STEEL) CASES. EC MTN DEL UNCLASSIFIED

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LUYTEN AND JOHANNES PETRICK FROM EC STEEL DIRECTORATE WERE PRESENT,AS WAS CULBERT FROM US MTN DEL. US STEEL REPRESENTED BY JOHN MANGAN FROM PITTSBURGH HQ.

3. REVIEW OF MTN STATUS WITH LUYTEN, CULBERT, AND PASIN (GATT SECRETARIAT) AS AMIN SPEAKERS WAS UNEVENTFUL. ICC REPS WERE ENCOURAGED BY MODERATELY UP-BEAT PRESENTATIONS.

4. US STEEL REP SUMMARIZED HIS COMPANY'S COURT ACTION AGAINST US TREASURY (EC VAT REBATE EQUALS COUNTERVAIL-ABLE SUBSIDY),MMVXXVXMMMMDENOUNCED TAX SHIFTING THEORY OF GATT RULES, AND NOTED US CONGRESSIONAL ATTITUDE IN SECTION 121 OF TRADE ACT. HE MAY HAVE OVERPLAYED HIS HAND O BIT BY SUGGESTING NEITHER EC NOR EUROPEAN BUSINESSMEN NEED HAVE ANY FEAR OF US COURT ACTIONS SICNE COURTS ARE INDEPENDENT, DECIDE ONLY ON BASIS OF FACTS AND ARE NOT INFLUENCED BY EITHER DOMESTIC PRESSURES OR INTERNATIONAL POLITICAL FACTORS: IF VAT REBATE IS A SUBSIDY AS US STEEL FIRMLY BELIEVES IS THE CASE, US DOMESTIC CVD LEGIALATION MUST BE APPLIED. CHAIRMAN MACGREGOR DREW ATTENTION TO COMPARABLE ISSUE POSED BY ZENITH CASE WHICH HE UNDERSTOOD MIGHT BE HANDED DOWN BY CUSTOMS CURT IN A FEW DAYS AND RISK THAT THIS COULD TRIGGER ACTION BY OTHER AMERICAN PRODUCERS TO REQUIRE TREASURY TO APPLY CVD TO A VERY BROAD ARRAY OF IMPORTS FROM EC, JAPAN AND ELSEWHERE.

5. PETRICK (EC) DECLINED TO GET INTO MIDDLE OF A LEGAL DISPUTE BETWEEN US STEEL AND US TREASURY BUT EXPRESSED SOME ASTONISHMENT AT US STEEL PRESENTATION IN RELATION TO WHAT HAS ACTUALLY HAPPEDE IN IN US-EC TRADE IN STEEL ER THE YEARS: EC SHARE OF US IMPORTS OF STEEL HAD MORE OR LESS STEADILY DECLINED YEAR AFTER YEAR WHICE EC STEEL IMPORTS FROM US ARE RISING STEADILY. PETRICK THEN COMMENTED ON CRISIS FACING EUROPEAN STEEL INDISTRY AND STEEL WORKERS AND APPEALED FOR A BROADER AND MORE COOPERA-TIVE APPROACH THAN LEGALISTIC ARGUMENTS.
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6. CULBERT SIAD THESE CASES POSE REAL DILEMNA FOR USG; HE UNDERSTOOD IT WAS TREASURY'S INTENTION TO APPEAL AGAINST ANY ADVERSE COURT DECISIONS; APPEAL PROCESS WOULD OBVIOUSLY TAKE SOME TIME; IMPACT OF SUSPENSION OF LIQUIDATION WHILE APPEAL UNDERWAY SHOULD NOT BE EXAGGERATED (VIZ SUSPENSION SINCE 1971 FOR CERTAIN JAPANESE TV SETS). MACGREGOR REFJOINED MOS BUSINESSMEN DON'T CARE TO IMPORT THINGS WITHOUT A RESONABLE BASIS FOR CALCULATING IF THEY WILL END UP WITH A PROFIT OR A LOSS.

7. A REASONABLY SPIRITED DEBATE ENSUED WITH SOME EUROPEAN BUSINESSMEN CITNG STATE SALES TEXES IN US THAT ARE IMPOSED ON EUROPEAN IMPORTS AND REBATED ON EXPORTS, INQUIR ING IF US STEEL OR USG WOULD LIKE EUROPE TO START COUNTER-VAILING AGAINST THESE TAX REBATES THAT ARE JUST LIKE EUROPE'S VAT AND, SOME REP ASSERTED, AT SAME LEVEL AS THE STEEL VAT US STEEL IS COMPLAINING ABOUT. OTHERS TOOK ISSUE WITH US STEEL REP'S CITATION OF GERMAN

PROFESSORWHO WROTE AN ARTICLE SOMETIME OR OTHER ADMITTING THE VAT SYSTEM IS A SUBSIDY, NOTING THEY COULD CITE DOZENS OF ECONOMISTS (INCLUDING AMERICAN ECONOMISTS) WHO SAY THE OPPOSITE. SOME REPS ALSO SUGGESTED EUROPEAN GOVTS AS WELL AS USG WERE REACHING OF HAD ALREADY REACHED ABOUT THE LIMIT OF TAX REVENUE ATTAINABLE BY DIRECT CORPORATE TAXATION AND USG WOULD PROBABLY BE COMPELLED TO RELY MORE ON INDIRECT TAXWS IN FUTURE.

8. ICC SECRETARIAT HAD CIRCULATED A DRAFT RESOLUTION ON THE TAX CVD PROBLEM DEISGNE TO "BUY TIME". THE DRAFT EXPRESSED SERIOUS CONCERN ABOUT IMPACT OF POSSIBLE US COURT ACTIONS ON WORLD TRADE, CALLED ON USG TO TAKE WHATEVER STEPS MAY BE OPEN TO IT TO DELAY OR LIMIT THE SCOPE OF ANY SUCH DECISION, URGED THAT HIGHEST PRIORITY BE GIVEN IN MTN TO NEGOTIATION OF AN AGREEMENT ON SUBSIDIES AND CVD, AND URGED "ALL GOVTS CONCERNED" TO CONSULT ON INTERIM ACTIONS
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THEY MIGHT TAKE TO ALLEVIATE PROBLEMS REAIED BY THESE CASES. LUYTEN FOR EC SUGGESTED RESOLUTION SHOULD BE ADDRESSED JUST TO USG SINCE IT WAS AN INTERNAL US PROBLEM. NO ONE PRESENT SUPPORTED THIS PLOY AND CHAIRMAN SAID HIS SENSE OF THE MEETING WAS THAT THE COMMISSION WANTED TO REGISTER ITS CONCERN AND "SEND A MESSAGE" TO US AND EUROPEAN GOVTS NOT TO JUST SIT IDLY BY AND WATCH WORLD TRADE GRIND DOWN BECAUSE OF A US COUSTOMS COURT INTERPRETATION OF AN 80 YEAR OLD LAW. A DRAFTING GROUP WAS APPOINTED TO WORK UP A MORE POLISHED RESOLUTION TO FORWARD TO ICC EXECUTIVE COMMITTEE FOR CONSIDERATION ON MARCH 23.CULBERT

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